Overcoming Cognitive Biases

Student Activity Packet

UNIT: BEHAVIORAL ECONOMICS

Name:

Students will be able to:

- Define common cognitive biases humans have and explain how they might influence someone's financial decisions
- Identify signs of cognitive bias
- Explore steps someone can take to overcome cognitive bias

NOTE: Vocabulary for this unit can be found in the NGPF Personal Finance Dictionary

INTRO

PROMPT:

Read the cartoon and then use the space below to answer the questions.

PEANUTS
WHY ARE YOU ALWAYS SO ANXIOUS TO CRITICIZE ME?
I JUST THINK I HAVE A KNACK FOR SEEING OTHER PEOPLE'S FAULTS..
WHAT ABOUT YOUR OWN FAULTS?
I HAVE A KNACK FOR OVERLOOKING THEM..
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Source

1. **In your own words, explain the main message of this cartoon.**

2. **How do you think this message relates to our abilities to recognize our own biases?**

DO IT

ACTIVITY: MOVE: Your Cognitive Biases

As you saw in the previous prompt, humans are not very good at recognizing when cognitive bias may be influencing our own judgments and decisions. One way to overcome biases is to learn about common examples and how to recognize them as they are occuring. Follow your teacher's instructions to complete this activity and to learn about more cognitive biases that can influence your financial choices and behaviors.

LEARN IT

INFOGRAPHIC: Signs of Cognitive Bias

ARTICLE: Cognitive Bias: What It Is and How to Overcome It

Let's continue to explore how you can recognize different biases, what you can do to overcome them, and how to ultimately make better decisions. First, review this infographic that provides some signs of how a few biases may show up. Then, read the article section titled *10 Tips to Overcome Cognitive Biases*. Finally, answer the questions.

1. **Jerome is checking his bank account and is shocked to see that his account balance is $2. He starts to get frustrated with his parents since they stopped giving him a weekly allowance due to his expensive spending habits.**

   Which of the following signs of cognitive bias from the infographic do you recognize in this scenario?

   - [x] ~~Only tuning in to news and stories that confirm your opinions~~
   - [ ] Attributing other people's success to luck
   - [x] ~~Constantly blaming others if things don't go your way~~
   - [ ] Assuming you are always correct
   - [ ] Assuming that everyone else shares the same opinions or beliefs

2. **Why do you think awareness of cognitive biases is the *first* step to overcoming them?**

   Being aware of these biases allows individuals to identify when they are likely to occur in their thought processes.

3. **Choose one of the cognitive biases you learned about in the previous MOVE activity (listed in Column 1 below). Using the article list as inspiration, brainstorm one concrete strategy you can use to overcome this bias. Explain how this strategy might help.**

Cognitive Bias	Strategy
☑ ~~Loss Aversion~~ ☐ Endowment Effect ☐ Sunk Cost Fallacy ☑ ~~Herd Mentality~~ ☑ ~~FOMO (fear of missing out)~~ ☑ ~~Confirmation Bias~~ ☐ Overconfidence ☐ Hedonic Adaptation	Marketers frequently leverage loss aversion by offering trial periods, rebates, and limited-time offers. Self-awareness, diverse information sources and an ability to align personal and professional values with driving motivations and a sense of purpose. Leveraging consumers' fears of missing out on benefits, experiences, or products that others have. Approach someone you know sees things differently from you and ask them what they are seeing.

4. **Follow your teacher's instructions to share your responses to Question 3 with your classmates. Write down at least one other strategy you heard that you might want to practice.**

Herd Mentality

Self-awareness, diverse information sources and an ability to align personal and professional values with driving motivations and a sense of purpose.

EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.